

Committee on Rules of Origin

Status

The objective of the WTO Agreement on Rules of Origin is to increase transparency, predictability, and consistency in both the preparation and application of rules of origin. In addition to setting forth disciplines related to the administration of rules of origin, the Agreement provides for a work program leading to the multilateral harmonization of rules of origin used for non-preferential trade regimes.

The Agreement establishes a WTO Committee on Rules of Origin to oversee the work program on harmonization. The Committee also served as a forum to exchange views on notifications by Members concerning their national rules of origin, along with those relevant judicial decisions and administrative rulings of general application. The Agreement also established a Technical Committee on Rules of Origin in the World Customs Organization to assist in the harmonization work program.

Assessment of the First Five Years of Operation

Virtually all issues and problems cited by U.S. exporters as arising under the origin regimes of U.S. trading partners arise from administrative practices such as non-transparency, discrimination, and a lack of certainty. The Agreement on Rules of Origin provides important disciplines for conducting preferential and non-preferential origin regimes-- such as the obligation to provide binding origin rulings upon request to traders within 150 days of request. For the past five years the Agreement has provided a means for addressing and resolving many problems facing U.S. exporters pertaining to origin regimes, and the Committee has been active in its review of the Agreement's implementation.

The ongoing work program leading to the multilateral harmonization of nonpreferential product-specific rules of origin has attracted a great deal of attention and resources. Significant progress has been made toward completion of this effort, despite the sheer volume and magnitude of complex issues which must be addressed for literally hundreds of unique specific products.

Major Issues in 1999

The WTO Committee on Rules of Origin met formally six times in 1999, and also conducted numerous informal consultations and working party sessions related to the harmonization work program negotiations. As of the end of 1999, 72 WTO Members had made notifications concerning non-preferential rules of origin, and 75 had made notifications concerning preferential rules of origin.

Much of the focus of the WTO Committee on Rules of Origin continued to be on conducting the harmonization work program. Work proceeded throughout 1999 in accordance with a July 1998 Committee decision, endorsed by the General Council, to continue the harmonization effort. The Committee has been assisted in this work by the Technical Committee on Rules of Origin that was established at the World Customs Organization. The Technical Committee has been responsible for developing technical interpretations and opinions on harmonization proposals for consideration by the WTO Committee on Rules of Origin. In June 1999, the Technical Committee finished this phase of its work, forwarding to the WTO Committee several hundred product-specific issues that could not be resolved on a technical basis. In 1999, the WTO Committee on Rules of Origin also began addressing several complex issues of broad application to the harmonization work program,

including undertaking important work toward a common understanding as to the implications of applying harmonized rules consistent with the rights and obligations under other WTO agreements.

Work for 2000

U.S. proposals for the WTO origin harmonization negotiations are developed under the auspices of a Section 332 study being conducted by the U.S. International Trade Commission pursuant to a request by the U.S. Trade Representative. The proposals are formulated utilizing the input received from the private sector, with ongoing consultations with the private sector as the negotiations have progressed from the technical stage to deliberations at the WTO Committee on Rules of Origin.

The harmonization program will continue to be conducted by the Committee through a sector-by-sector approach, in accordance with the Agreement, as defined in various HS chapter groupings in the Harmonized Tariff Schedule. The work will continue on the development of product-specific rules by focusing primarily on methodologies involving change in tariff classification, although, where appropriate, the work program has also been giving consideration to other possible requirements, beyond a change of tariff classification methodology. The Committee will maintain momentum toward completing the work program while also ensuring results that are sound from both a technical and policy standpoint. Progress in the harmonization work program will be contingent on obtaining appropriate resolution of several complex issues concerning the overall structure and operation of the harmonized rules, as well as their future application consistent with the rights and obligations under other WTO agreements.

Increased attention will continue to be given to the implementation of the Agreement's important disciplines related to transparency, which are recognized elements of what are considered to be "best customs practices."